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Counsel to the Official Committee of Unsecured Creditors

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

CELSIUS NETWORK LLC, *et al.*,¹

Debtors.

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Chapter 11

Case No. 22-10964 (MG)

(Jointly Administered)

**DECLARATION OF REBECCA GALLAGHER
IN SUPPORT OF THE MOTION OF THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS TO (I) CERTIFY THE CLASS OF ACCOUNT HOLDERS
ASSERTING NON-CONTRACT CLAIMS AGAINST THE DEBTORS, (II) APPOINT
THOMAS DIFIORE, REBECCA GALLAGHER, AND IGNAT TUGANOV AS
THE CLASS REPRESENTATIVES, AND (III) APPOINT WHITE & CASE LLP AS
CLASS COUNSEL, IN EACH CASE PURSUANT TO BANKRUPTCY RULE 7023**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Celsius Network LLC (2148); Celsius KeyFi LLC (4414); Celsius Lending LLC (8417); Celsius Mining LLC (1387); Celsius Network Inc. (1219); Celsius Network Limited (8554); Celsius Networks Lending LLC (3390); Celsius US Holding LLC (7956); GK8 Ltd. (1209); GK8 UK Limited (0893); and GK8 USA LLC (9450). The location of Debtor Celsius Network LLC's principal place of business and the Debtors' service address in these chapter 11 cases is 50 Harrison Street, Suite 209F, Hoboken, New Jersey 07030.

I, Rebecca Gallagher, declare pursuant to 28 U.S.C. § 1746 as follows:

1. I submit this declaration in support of the *Motion of the Official Committee of Unsecured Creditors to (I) Certify the Class of Account Holders Asserting Non-Contract Claims Against the Debtors, (II) Appoint Thomas DiFiore, Rebecca Gallagher, and Ignat Tuganov as the Class Representatives, and (III) Appoint White & Case LLP as Class Counsel, in Each Case Pursuant to Bankruptcy Rule 7023* (the “**Motion**”).²

2. I am and have been an account holder at Celsius (as defined below) at all times relevant to the Motion and the Class Claim. I am an unaccredited retail investor.

3. I am a British citizen and lawful permanent resident of the United States. I was a resident of Tennessee when I became an account holder at Celsius. As of April 11, 2022, I am a resident of California.

4. I was working in the yachting industry as a super yacht stewardess at the time of the bankruptcy. I was planning to retire in 2023. I had previously been a stay at home mom for many years following the death of my sons’ father when they were babies. The family home was our biggest asset.

5. I filed a proof of claim on my own against the Debtors that included an addendum. The addendum cites to specific examples of when CNL made misstatements and omissions of facts about their operations that I relied on when I became and continued to be an account holder.

6. The above-captioned debtors and debtors in possession (collectively, the “**Debtors**” and, together with their non-Debtor affiliates, “**Celsius**”) selected me along with two other claimants to serve as bellwether claimants in these Chapter 11 Cases. It is my understanding that the purpose of choosing me to serve as one of the bellwether claimants was for me to represent

² Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Motion.

fraud claims against CNL.

7. I have actively been participating in these Chapter 11 Cases as an individual creditor since the beginning. I have been advocating for maximum returns to account holders throughout.

8. During Covid, I began to educate myself about cryptocurrency, primarily through online research, including on YouTube. During the course of my research, I heard about Celsius through several cryptocurrency influencers, including Ben Armstrong (who goes by the moniker “BitBoy Crypto”).

9. In October 2020, I sold my house and made the decision to invest the proceeds of the sale into cryptocurrency to fund my retirement. I purchased my first BTC and ETH in January 2021.

10. I continued investing in cryptocurrency in January, February, and March 2021. After learning about Celsius, I watched a video posted on the Celsius website of an interview of Mr. Mashinsky on the RealVision financial media and education platform. I was greatly influenced by the RealVision interview. I watched many hours of Mr. Mashinsky’s AMAs, interviews, and public statements. Mr. Mashinsky’s statements caused me to think that Celsius had the best interest of its customers built into its business model unlike traditional banking institutions.

11. Mr. Mashinsky’s statements convinced me to transfer assets onto the Celsius platform over other cryptocurrency platforms. While I had an account with BlockFi, I felt I knew and could trust Mr. Mashinsky from his weekly public statements and decided to invest the bulk of my crypto with Celsius. Mr. Mashinsky was very compelling. His willingness to keep customers updated and make himself available live for questions on a weekly basis was a key

factor that drove my decision to invest with Celsius initially, and to continue to invest more with Celsius.

12. In two transactions on April 30 and May 1, 2021, I initially transferred USDC 300,000 to Celsius, the funds I had set aside to purchase a downsized home. On May 3, 2021, I transferred 2.8 BTC (then worth approximately USD\$164,000).

13. I watched nearly every AMA since I became an account holder. If I could not watch an AMA live, I would typically watch it later on the same day that it streamed on YouTube or the next day. I never watched an AMA more than a day after it streamed live. I relied on the AMAs to inform my investment decisions in Celsius and to keep me apprised of what was going on at Celsius.

14. In making my investment decisions, I believed and relied on Mr. Mashinsky's promises that Celsius was safer than a bank, and that they would share 80% of their revenue with customers. I believed and relied on statements from Mr. Mashinsky and CNL that Celsius treated its account holders better than traditional banks because it shared most of its income with account holders, while banks were greedy and kept all the profits for themselves. I believed Mr. Mashinsky's statements that Celsius paid the kind of yield that banks should have been paying to customers, but did not. Prior to reading the Examiner's Final Report,³ I had no knowledge that Celsius did not pass 80% of its revenue back to customers.

15. I was further convinced by Mr. Mashinsky's many reassurances in AMAs and other interviews that customers' assets were safe because Celsius did not engage in risky trading strategies like swing or directional trading. Mr. Mashinsky would say repeatedly that there was no risk to Celsius's customer funds because there were no uncollateralized loans and that Celsius

³ Final Report of Shoba Pillay, Examiner [D.I. 1956] (the "Examiner's Final Report").

would only lend to individuals and institutions that were carefully vetted. I recall multiple occasions during the AMAs when Mr. Mashinsky claimed that no borrower had ever defaulted on a loan from Celsius and that, if a borrower were to default, Celsius would simply liquidate the collateral. I believed Mr. Mashinsky when he told customers that if anything like that were to happen, Celsius would get account holders' coins back. Based on representations like these, I believed my assets were safe with Celsius and that nothing could go wrong. Prior to reading the Examiner's Final Report, I had no knowledge that Celsius issued uncollateralized loans, or engaged in swing or directional trading, and high-risk DeFi bets.

16. I also believed and relied on Mr. Mashinsky's statements that Celsius was investing in a regulatory-compliant manner. For instance, I recall Mr. Mashinsky repeatedly stated that Celsius did not have a single issue with a single regulator in a single country because Celsius followed all the rules. I was reassured by similar statements from Mr. Mashinsky that regulators had confirmed that Celsius had "no problem" or legal issues. I believed Mr. Mashinsky when he made statements to the effect that he was trying to bring crypto out of the "wild west" and was compliant with all regulatory requirements. I did not know about the extent to which regulators were investigating Celsius or the deficit in Celsius's balance sheet until these Chapter 11 Cases, and specifically until I read the Examiner's Final Report. I believe that CNL knew that customers like me would have withdrawn their assets if CNL told them the truth about its regulatory problems.

17. I do not specifically remember being required to accept the revised Terms of Use on the Celsius app in the summer of 2021, the time of the purported migration from CNL to Celsius Network LLC ("LLC"). Prior to the commencement of these Chapter 11 Cases, I did not know that the Financial Conduct Authority of the United Kingdom (the "FCA") was investigating CNL

and had accused it of operating an unlicensed investment scheme. I only learned that the “migration” of customer assets from CNL to LLC was spurred on by the FCA investigation after the Chapter 11 filing. I believe that CNL knew that customers like me would have withdrawn their assets if CNL told them the truth about its regulatory problems. Had I known at that time that the “migration” was a result of the FCA’s investigation and accusation that CNL was operating an illegal investment scheme, I would have withdrawn from the Celsius platform. I would not have invested additional funds with Celsius.

18. Relying on the public statements of Mr. Mashinky and official Celsius materials, I continued to transfer additional digital assets to CNL. On October 12, 2021, I transferred an 135 ETH (then worth approximately USD\$479,000) to CNL. On November 12, 2021, I transferred 12,204.91 Cardano (then worth approximately USD\$25,064). On January 16, 2022, I transferred an additional Bitcoin (then worth approximately USD\$42,974).

19. On April 8, 2022, I travelled to a Celsius meet-up at the Bitcoin Miami conference. There were hundreds of Celsius account holders at the meet-up. During the event, Mr. Mashinsky repeated the talking points that I heard him make many times previously on AMAs and elsewhere. While there, I had the opportunity to meet Mr. Mashinsky briefly. I looked him in the eyes and told him that I had entrusted my entire life’s savings to Celsius. Mr. Mashinsky assured me that my funds were safe. Other than during that meet-up, I never spoke with Mr. Mashinsky or any other senior personnel at CNL.

20. On April 12, 2022, I received an email from Celsius informing me that Celsius was working with regulators and releasing the Custody product. In that email, Celsius informed me that I would no longer be able to transfer any digital assets to the Earn program after April 15, 2022, unless I was an accredited investor. I was not. I believed that this was my last opportunity

to earn rewards on my digital assets, and on April 14, 2022, I transferred USDC 20,000 to my Earn account.

21. I learned about the collapse of Terra Luna in May 2022. I was still watching the AMAs weekly during this time. Mr. Mashinsky made assurances in the AMAs about Celsius being unaffected by the Terra Luna crisis. I remember statements by CNL that their people were monitoring the accounts 24/7 and had military-grade security that allowed Celsius to protect customer funds. Those statements convinced me not to withdraw my assets from the Celsius platform. I have never withdrawn any digital assets from the Celsius platform since becoming a Celsius account holder, including the yield I earned.

22. Had I learned the truth about any of the foregoing, I would not have invested or entrusted my digital assets with CNL in the first place or else I would have withdrawn such digital assets had I already invested them. I never did, and then it was too late.

23. As a result of the misrepresentations and omissions Mr. Mashinsky and CNL made and my belief and reliance on them, I have suffered devastating losses. I put all of my savings, house money, and retirement funds into Celsius. I stand to lose all of these assets in these Chapter 11 Cases. I have been forced to live below the poverty level. I now often have to eat from food banks. The Celsius bankruptcy has affected my relationship with my husband. And it has taken the inheritance from my late husband, which I intended to pass on to our three sons.

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I declare under penalty of perjury that the foregoing is true and correct.

Executed on: May 17, 2023
Modesto, CA

Signature 285662AF2217422...

Rebecca Gallagher
Proposed Class Representative